



# COMMISSION NEWS

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ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

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TO: EDITORS, NEWS DIRECTORS  
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CONTACT: Heather Murphy (602) 542-0844

## **SEC FINDS FRAUD, COMMISSION REVOKES ARIZONA LICENSES**

PHOENIX-The Arizona Corporation Commission has revoked the securities dealer registration of Tower Equities, Inc. and the securities salesman registration of Philip A. Lehman of Dayton, Ohio. The firm was a registered dealer and had customers in Arizona since January 1998. Lehman was the firm's former sole shareholder, chairman and chief compliance officer.

The Commission's action was based upon a September 7, 2000 order of the United States Securities and Exchange Commission (SEC) in which it was disclosed that Tower and Lehman had committed willful securities fraud in connection with four offerings of securities between February 1997 and December 1998. During that period, Tower and Lehman raised \$10,125,000 from investors in 15 states for four limited liability companies: Tower Venture 97-A, Ltd.; Lifetime Assets, LLC; Baylor/Gavic, LLC and Wellington, LLC.

Tower and Lehman told investors that their money would be invested in transactions involving "traders," "standby letters of credit," and "major European banks," with expected returns of up to 100 percent within 25 days (which, if annualized, would be 1,440 percent). Such unrealistic promised returns and references to major European banks and letters of credit are hallmarks of a type of fraud known as a "prime bank scheme." In this case, the SEC found that the proposed "transactions" described by Tower and Lehman to their investors could not have existed.

In one of the four offerings, Tower and Lehman told investors that a portion of their money would be invested in viatical securities with an expected return of 33 percent after one year. Viatical investments are interests in the life insurance death benefits of terminally ill patients. In a viatical settlement contract, the viatical

company sells the death benefit to an investor for cash and the ill person receives money for payment of medical bills. When the patient dies, the investor gets the payment from the life insurance company.

Among the many risks in this type of investment is the accuracy of predictions about a patient's life expectancy. In this case, the SEC found that Tower and Lehman had no reasonable basis for their representations to investors, because they had no agreement with any viatical company and had not adequately researched the investment. Viatical securities have been a nationwide problem for securities and insurance regulators for much of the past decade.

Although no Arizona investors participated in the four fraudulent investments, the Commission revoked the Arizona registrations of Tower and Lehman for violations of securities laws in other states. To protect investors, the Arizona Securities Act allows the state to revoke the licenses of people who have committed illegal activities involving securities and investment products offered in other states.

Promises of outrageously high returns and the use of confusing terminology can be indicators that something is amiss. The Arizona Corporation Commission reminds people that they can check out an investment or check the disciplinary history of someone offering an investment by making a simple, free call to the Securities Division. Call the Securities Division at 602-542-4242, toll free at 1-877-811-3878, or access the Division website at [www.ccsd.cc.state.az.us](http://www.ccsd.cc.state.az.us) for helpful investor information."

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